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August 30, 2002

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AUG 30 2002

Ms. Marlene H. Dortch

Secretary

Federal Communications Commission

445 12th Street, S.W.

Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Notification of Written *Ex Parte* Communication
CS Docket No. 98-120 – Carriage of the Transmissions of
Digital Television Stations

Dear Ms. Dortch:

On August 30, 2002, a letter from Lana Corbi, President and Chief Executive Officer of Crown Media United States, LLC, operator of the Hallmark Channel, was delivered to Chairman Powell, with copies to each Commissioner and to W. Kenneth Ferree, Chief of the Media Bureau. Pursuant to Section 1.1206(b) of the Commission's rules, a copy of the letter, which addresses issues under consideration in the above-referenced proceeding, is hereby submitted to the Secretary's office for inclusion in the record.

If there are any questions regarding this matter, please communicate directly with the undersigned.

Respectfully submitted,



Seth A. Davidson

cc: Chairman Michael K. Powell
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
W. Kenneth Ferree

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August 30, 2002

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, S.W., Room 8-B-115
Washington, D.C. 20054

Re: CS Docket No 98-120
Carriage of the Transmissions of Digital Television Stations

Dear Chairman Powell:

This past March, I wrote to you regarding the progress that Hallmark Channel had made in its first six months of operation following its launch in August 2001. At that time, and during our subsequent meeting in May, I also expressed our concern regarding reports that the Commission was considering giving expanded must carry rights to broadcasters.

The purpose of this letter is to bring you up-to-date on Hallmark Channel's continued growth and development as we enter our second year of operation and to reiterate our deep concern about the prospect that our services might be relegated to second-class status by government fiat.

I am pleased to report in its first twelve months of operation, Hallmark Channel added more households than any other network and now reaches 47 million subscribers (including both cable and satellite homes). Moreover, according to Nielsen Media Research, Hallmark Channel ranked first among all cable networks both in primetime household viewership growth and in growth in time spent viewing.

Hallmark Channel's subscriber and viewership growth over its first year of operations has been fueled by our commitment to providing families with a diverse array of high-quality, compelling programming. For example, in June we premiered the critically-acclaimed and award-winning "Adoption" series – our first original series. We have also achieved ratings success and have ranked in the top ten of all measured cable networks with our original movies and miniseries "Johnson County War," and "Mark Twain's Roughing It" as well as with our 25th anniversary encore presentation of "Roots."

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As we have mentioned in the past, Hallmark Channel's commitment to serving the viewing public takes a variety of forms. For example, on July 4, 2002, we honored the nation's spirit of freedom and independence by presenting a special event featuring patriotic images and American-themed music for eight commercial-free hours. And we are particularly proud of the innovative community outreach initiatives that we are sponsoring in conjunction with the "Adoption" series. For example, in May, Hallmark Channel joined with local cable operator Cox Communications to sponsor an event benefiting Raintree House, a New Orleans foster care facility.

Looking ahead, Hallmark Channel is moving aggressively to build on its first-year successes. We have a number of original productions in the works, including "Snow Queen," a four-hour holiday season miniseries starring Bridget Fonda, which is one of five original series to premiere during the Holiday season this year.

Most significantly, Hallmark Channel is actively pursuing opportunities presented by digital technology. For example, Hallmark Channel has been demonstrating to cable operators a Hallmark-branded interactive product that includes Video on Demand, Crayola Kids interactive educational content as well as video greetings. We also are engaged in discussions regarding the presentation of regularly scheduled high definition movie content.

In short, Hallmark Channel is poised to be an industry leader, not just in the presentation of high-quality, broad appeal programming, but also in the use of new technology. However, our ability and willingness to take the risks associated with launching new ventures will be compromised if the Commission bestows preferential treatment on broadcasters. While we have experienced record-setting subscribership growth, there are still over 34 million homes that do not have access to Hallmark Channel. And although surveys continue to show that Hallmark Channel is highly desired by subscribers and cable operators, channel capacity limitations and the fear that the government may impose "dual" must carry obligations on systems are ongoing obstacles that we have to overcome in our efforts to obtain additional carriage.

Just as threatening to our future plans as dual carriage are proposals to mandate carriage of "multicast" digital broadcast signals. Hallmark Channel believes that the Commission correctly read the law and Congressional intent when it found that broadcaster's post-transition must carry rights are limited to a single "primary video" programming stream. In any event, it is clear that the broadcast industry has not met its burden to demonstrate that the public would benefit from the establishment of a regulatory regime that forces upon subscribers multicast broadcast signals without regard to consumer interest or demand.

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Competition, not government regulation, will produce the greatest public benefit. Hallmark Channel is not asking for any special treatment. All we are asking for is that decisions regarding carriage (beyond the single channel of programming that broadcasters have traditionally been guaranteed) be left to the marketplace. If the government mandates multicast carriage for time-shifted, standard definition broadcast programming, the end result will be less innovation and less reason for consumers to make the investments in new equipment that ultimately are necessary if the digital transition is to succeed.

Hallmark Channel appreciates your consideration of our thoughts on this matter and stands ready to work with the Commission in its efforts to promote America's digital future.

Sincere regards,

A handwritten signature in black ink, appearing to read "Lana Corbi". The signature is fluid and cursive, with a large initial "L" and "C".

Lana Corbi
President and Chief Executive Officer

cc: Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
W. Kenneth Ferree